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SectionUNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Washington DC
403ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-48058

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/14 AND ENDING 12/31/14
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Sterling Smith Corporation

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

4326A Scotland

(No. and Street)

Houston

Texas

77007

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Sterling Smith, CFO/President

(713)861-6500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

EPPB, P.C.

(Name - if individual, state last, first, middle name)

2950 North Loop West, Suite 1200, Houston, Texas 77092

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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SECURITIES AND EXCHANGE COMMISSION
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14

OATH OR AFFIRMATION

I Sterling Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sterling Smith Corporation of February 24 20 15, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Sterling R Smith
Signature

CFO/President

Title

Dianne E Pearson

Notary Public
State of Texas
County of Harris



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ Exemption Report
- ☒ Report of Independent Registered Public Accounting Firm

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5 (e) (3).

STERLING SMITH CORPORATION

December 31, 2014

Financial Statements

SEC
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F
Washington, DC

F
Washington, DC

EEPB_{PC}
CPAs & BUSINESS ADVISORS

STERLING SMITH CORPORATION

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Mr. Sterling Smith
STERLING SMITH CORPORATION

We have audited the accompanying financial statements of Sterling Smith Corporation (a Texas corporation), which comprise the statement of financial condition as of December 31, 2014 and the related statements of income, stockholder's equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements and supplemental information. Sterling Smith Corporation's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Sterling Smith Corporation as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The computation of net capital has been subjected to audit procedures performed in conjunction with the audit of Sterling Smith Corporation's financial statements. The supplemental information is the responsibility of Sterling Smith Corporation's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented

in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

EEPB, P.C.

Houston, Texas

February 13, 2015

STERLING SMITH CORPORATION
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2014

ASSETS

Cash and cash equivalents, unrestricted	\$ 232,895
Cash held with clearing broker	389,104
Deposits held by clearing broker, restricted	250,000
Securities, at market value	<u>1,423,920</u>
 TOTAL ASSETS	 <u><u>\$ 2,295,919</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES	
Accrued expenses	<u>\$ 50,000</u>
STOCKHOLDER'S EQUITY	
Common stock with par value of \$.01 per share, 50,000,000 shares authorized, 100,000 issued and outstanding	1,000
Additional paid-in capital	312,000
Retained earnings	<u>1,932,919</u>
 TOTAL STOCKHOLDER'S EQUITY	 <u>2,245,919</u>
 TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	 <u><u>\$ 2,295,919</u></u>

The accompanying notes are an integral
part of these financial statements.

STERLING SMITH CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES

Gains on firm securities trading	\$ 2,562,625
Interest	<u>123,989</u>

TOTAL REVENUES	<u>2,686,614</u>
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EXPENSES

Commissions	2,258,770
Clearing broker fees	158,356
Loss on firm investments	111,233
Office and other operating expenses	90,256
Payroll	<u>137,846</u>

TOTAL EXPENSES	<u>2,756,461</u>
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NET LOSS	<u><u>\$ (69,847)</u></u>
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The accompanying notes are an integral
part of these financial statements.

STERLING SMITH CORPORATION
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE, DECEMBER 31, 2013	\$ 1,000	\$ 312,000	\$ 2,552,766	\$ 2,865,766
Distributions paid to stockholder	-	-	(550,000)	(550,000)
Net loss	<u>-</u>	<u>-</u>	<u>(69,847)</u>	<u>(69,847)</u>
BALANCE, DECEMBER 31, 2014	<u>\$ 1,000</u>	<u>\$ 312,000</u>	<u>\$ 1,932,919</u>	<u>\$ 2,245,919</u>

The accompanying notes are an integral
part of these financial statements.

STERLING SMITH CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$	(69,847)
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Adjustments to reconcile net income to net cash provided by operating activities:

Changes in working capital:

(Increase) decrease in cash related to changes in assets:

Cash held with clearing broker		(360,354)
Certificate of deposit		90,818
Securities		734,943

Decrease in cash related to changes in liabilities:

Accrued expenses		50,000
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NET CASH PROVIDED BY OPERATING ACTIVITIES		445,560
---	--	---------

CASH FLOWS FROM INVESTING ACTIVITIES		-
--------------------------------------	--	---

CASH FLOWS FROM FINANCING ACTIVITIES		
--------------------------------------	--	--

Distributions to stockholder		(550,000)
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NET CASH USED BY FINANCING ACTIVITIES		(550,000)
---------------------------------------	--	-----------

NET DECREASE IN CASH AND CASH EQUIVALENTS		(104,440)
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CASH AND CASH EQUIVALENTS, beginning of year*		337,335
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CASH AND CASH EQUIVALENTS, end of year*	\$	232,895
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INTEREST PAID	\$	-
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TAXES PAID	\$	-
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* Amounts do not include cash and deposits held with clearing broker.

The accompanying notes are an integral part of these financial statements.

STERLING SMITH CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

STERLING SMITH CORPORATION, a Texas corporation (the "Company"), was formed on January 25, 1995. The Company was formed for the purpose of conducting business as a broker/dealer in securities. The Company is registered with the Securities and Exchange Commission ("SEC") as a broker/dealer in securities under the Securities Exchange Act of 1934 and the Financial Industry Regulatory Authority ("FINRA"). The Company clears its proprietary and customer transactions through another broker-dealer on a fully disclosed basis.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers cash and highly liquid investments with maturities of three months or less when purchased to be cash and cash equivalents.

Deposits Held by Clearing Brokers

Under the terms of the Clearing Agreement between the Company and Pershing, LLC ("Pershing"), the Company is required to maintain a certain level of cash on deposit with Pershing, which amounted to \$250,000 at December 31, 2014. Should Pershing suffer a loss due to a failure of the Company's customer to complete a transaction, the Company is required to indemnify Pershing to the extent of such loss. As of December 31, 2014, there were no amounts owed to this clearing broker nor did the Company incur a loss during the year ended December 31, 2014 due to a customer's failure to complete a transaction.

Marketable Securities

Marketable securities owned are recorded at market value as of the balance sheet date. The difference between cost and market value is included in income. The Company classifies marketable securities owned as trading securities. It is the Company's policy to classify debt and equity securities with readily determinable fair values as trading securities and report them on the balance sheet at fair value if they are purchased and held principally for the purpose of selling them in the near term.

Securities Transactions

Proprietary securities transactions are recorded on a trade date basis. Profit and losses arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Accounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded in the statement of financial condition.

STERLING SMITH CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Marketable securities, including derivative financial instruments, are recorded at market value based on the closing price on nationally traded exchanges at the balance sheet date. Securities not readily marketable are valued at fair value as determined by management. As of year end, there were no positions open on derivative financial instruments.

Revenue Recognition

The Company's revenues are earned primarily from the sale of trading securities to counterparties. Revenues are recognized as securities are sold on a trade date basis. The Company's revenue from brokerage commissions is recorded on the settlement date.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholder is liable individually for federal income taxes arising from the Company's income. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

The Company is subject to the Texas Gross Margin Tax. The Texas Gross Margin Tax generally is calculated as one percent of gross margin, as defined. No tax is due for the year ended December 31, 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Transactions

As an agent, in the normal course of business, the Company enters into securities transactions which are denominated in foreign currencies, primarily the Mexican peso. Realized and unrealized foreign currency gains and losses on such transactions are recorded in income in the period they are incurred. There was a \$32,710 net realized foreign currency loss recorded in 2014.

STERLING SMITH CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of \$100,000 (including subordinated indebtedness) and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2014, the Company had net capital, as defined, of \$980,204, which was \$880,204 in excess of the required minimum net capital of \$100,000. The Company's ratio of aggregate indebtedness was 0.05 to 1 at December 31, 2014. The Company is currently in compliance with these requirements.

NOTE 3: SECURITIES

The Company has adopted FASB Accounting Standards Codification Topic 820-10, "Fair Value Measurements", for all financial assets and liabilities. ASC 820-10 provides standards and disclosures for assets and liabilities that are measured and reported at fair value. As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). ASC 820-10 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Measured based upon inputs that are observable, either directly or indirectly, for the asset or liability other than quoted market prices included in Level 1. These inputs include: a) quoted prices for similar asset or liabilities in active markets b) quoted prices for identical or similar assets or liabilities in markets that are not active c) inputs other than quoted market prices that are observable and d) inputs that are derived primarily from or corroborated by observable market data by correlation or other means.

STERLING SMITH CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 3: SECURITIES *(Continued)*

Level 3: Measured based on unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. This input includes management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include management's own data.

As required by ASC 820-10, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014:

Corporate and foreign bonds: Valued using various techniques which may consider recently executed transactions of the issue or comparable issues, market price quotations (where observable), bond spreads, and fundamental data relating to issuer.

Warrants: Valued as determined by observable quoted pricing inputs of the related underlying security.

STERLING SMITH CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 3: SECURITIES *(Continued)*

The following table summarizes the valuation of the Company's financial instruments by ASC 820-10 pricing levels as of December 31, 2014:

	Quoted prices in active markets for identical assets (Level 1)	Other observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair value at December 31, 2014
United States				
Corporate Bonds	\$ -	\$ 400,566	\$ -	\$ 400,566
Bahrain				
Government Bonds	-	202,760	-	202,760
Belarus				
Government Bonds	-	94,170	-	94,170
Jordan				
Government Bonds	-	196,680	-	196,680
Mexico				
Corporate Bonds	-	426,119	-	426,119
Venezuela				
Government Bonds	-	75,500	-	75,500
Detachable warrants	-	28,125	-	28,125
Total	\$ -	\$ 1,423,920	\$ -	\$ 1,423,920

The bonds mature at various dates, ranging from June 2015 to May 2021.

NOTE 4: CONCENTRATIONS

The Company's business consists primarily of trading fixed income securities of non-U.S. issuers, which generally have higher yields than U.S. issuers. Management believes that current economic conditions are conducive for continued demand for these securities and the Company's services.

STERLING SMITH CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 4: CONCENTRATIONS (*Continued*)

The Company engages in trading activity and maintains securities in which counterparties include other broker-dealers and financial institutions. In the event the counterparties do not fulfill their obligations, the Company may be exposed to certain risks. It is the policy of the Company to consider the creditworthiness of each counterparty, as necessary.

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Company executes securities transactions on behalf of its customers and counterparties. If either the customer or the counterparty fails to perform, the Company may be required to discharge the obligation of the nonperforming party. In such circumstances, the Company may sustain a loss if the market value of the security contract is different from the contract value of the transaction. The Company does not expect nonperformance by customers or counterparties.

The Company clears all of its securities transactions through clearing brokers on a fully-disclosed basis. Pursuant to the terms of the agreements between the Company and the clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. At December 31, 2014, the Company did not have any recorded liabilities with regard to the right. During 2014, the Company did not pay the clearing brokers any amounts related to these guarantees.

The Company's policy is to monitor its market exposure, customer risk, and counterparty risk through the use of a variety of credit exposure reporting and control procedures, including marking-to-market securities and any related collateral as well as requiring adjustments of collateral levels as necessary. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business.

STERLING SMITH CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 6: UNCERTAIN TAX POSITIONS

The Company did not have unrecognized tax benefits as of December 31, 2014 and does not expect this to change significantly over the next twelve months. In connection with the adoption of ASC 740-10-25, the Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2014, the Company has not accrued interest or penalties related to uncertain tax positions. The Company's U.S. federal and state tax returns are open to audit under the statute of limitations for the years ended December 31, 2011 and beyond.

NOTE 7: SUBORDINATED LIABILITIES

The company had no subordinated liabilities at any time during the year ended December 31, 2014. Therefore, the statement of changes in liabilities subordinated to claims of general creditors has not been presented for the year ended December 31, 2014.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events were evaluated from January 1, 2015 through February 13, 2015, which is the date the financial statements were available to be issued. No reportable subsequent events were noted.

SUPPLEMENTAL
INFORMATION

STERLING SMITH CORPORATION
COMPUTATION OF NET CAPITAL UNDER RULE ATC 3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2014

Net capital computation:

Stockholder's equity	\$ 2,245,919
Non-allowable assets	(1,127,124)
Haircuts on marketable securities, including concentrations	<u>(138,591)</u>
Net capital pursuant to SEC Rule 15c3-1	980,204
Net capital required	<u>(100,000)</u>
Excess capital	<u>\$ 880,204</u>

Net capital required based on leverage:

Aggregate indebtedness	<u>\$ 50,000</u>
Total capital required based on 6 2/3% of liabilities	<u>\$ 3,333</u>

Under its current agreement with the FINRA, the Company is required to maintain net capital of \$100,000.

STATEMENT PURSUANT TO PARAGRAPH (d)(4) OF RULE 17a-5

There is no difference between this computation of net capital pursuant to Rule 15c3-1 and the corresponding computation prepared by Sterling Smith Corporation and included in the Company's unaudited Part II A FOCUS report filing as of December 31, 2014.

STATEMENT OF OMITTED SUPPLEMENTAL DATA

The Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 and the Information Relating to Possession or Control Requirements Under Rule 15c3-3 have been omitted because Sterling Smith Corporation is exempt from the requirements of Rule 15c3-3 under condition (k)(2)(ii) by clearing all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer. The conditions of the exemption were being complied with as of December 31, 2014 and no facts came to our attention to indicate that the exemption had not been complied with during the fiscal year ended December 31, 2014.

See accompanying independent auditors' report.

**Sterling Smith
Corporation**



DECEMBER 31, 2014

STERLING SMITH CORPORATION

EXEMPTION REPORT

The following statements are made to the best knowledge and belief of Sterling Smith Corporation. as an Introducing Broker Dealer:

- (i) Sterling Smith Corporation identifies the following provisions in paragraph (k) of Rule 15c3-3 under which Sterling Smith Corporation claimed an exemption from Rule 15c3-3; the exceptions from the requirements of SEC Rule 15c3-3(k) are as follows:

SEC Rule 15c3-3(k)(2)(ii): Sterling Smith Corporation, who, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with our clearing broker/dealer, Pershing, LLC, and who promptly transmits all customer funds and securities to the clearing broker /dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

- (ii) Sterling Smith Corporation has met the identified exemption provisions in paragraph (k) of Rule 15c3-3 throughout the most recent fiscal year of January 1, 2014 through December 31, 2014 without exception. Review of Sterling Smith Corporation's policies and procedures comply with the exemption provisions of SEC Rule 15c3-3(k)(2)(ii) in that Sterling Smith Corporation did not receive funds or securities for client accounts during the fiscal year of 2014 of which would be required to be forwarded by overnight courier the same day as received to the clearing firm..


Sterling R. Smith
President
Sterling Smith Corporation

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Mr. Sterling Smith
STERLING SMITH CORPORATION

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Sterling Smith Corporation identified the following provisions of 17 C.F.R. §15c3-3(k) under which Sterling Smith Corporation claimed an exemption from 17 C.F.R. §240.15c3-3(k)(2)(ii) (the "exemption provisions") and (2) Sterling Smith Corporation stated that Sterling Smith Corporation met the identified exemption provisions throughout the most recent fiscal year without exception. Sterling Smith Corporation's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Sterling Smith Corporation's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

EEPB, P.C.

Houston, Texas
February 13, 2015

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN
ENTITY'S SIPC ASSESSMENT RECONCILIATION

Mr. Sterling Smith
STERLING SMITH CORPORATION

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the twelve months ended December 31, 2014, which were agreed to by Sterling Smith Corporation ("the "Company") and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursements record entries, check copies, and bank statements noting no differences;
2. Reconciled the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2014, with the amounts reported in Form SIPC-7 for the year ended December 31, 2014, noting no differences.
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an

opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

EEPB, P.C.

Houston, Texas

February 13, 2015

SIPC-7

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION
P.O. Box 92185 Washington, D.C. 20090-2185
202-371-8300

General Assessment Reconciliation**SIPC-7**

(33-REV 7/10)

For the fiscal year ended 12/31/2014

(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

20*20*****2957*****MIXED AADC 220
048058 FINRA DEC
STERLING SMITH CORPORATION
4326A SCOTLAND ST
HOUSTON TX 77007-7328

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (item 2e from page 2)

\$ 6,321

B. Less payment made with SIPC-6 filed (exclude interest)

(3,864)7/24/14

Date Paid

C. Less prior overpayment applied

(0)

D. Assessment balance due or (overpayment)

2,457

E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum

0

F. Total assessment balance and interest due (or overpayment carried forward)

\$ 2,457

G. PAID WITH THIS FORM:

Check enclosed, payable to SIPC
Total (must be same as F above)

\$ 2,457

H. Overpayment carried forward

\$(0)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Sterling Smith Corporation

(Name of Corporation, Partnership or other organization)

Sterling R. Smith

(Authorized Signature)

President

(Title)

Dated the 21 day of January, 20 15.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates:

Postmarked _____

Received _____

Reviewed _____

Calculations _____

Documentation _____

Forward Copy _____

Exceptions:

Disposition of exceptions:

DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period
beginning 1/1/2014
and ending 12/31/2014

Item No.	Eliminate cents
2a. Total revenue (FOCUS Line 12/Part IIA Line 9. Code 4030)	\$ <u>2,575,381</u>
2b. Additions:	
(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.	<u>0</u>
(2) Net loss from principal transactions in securities in trading accounts.	<u>0</u>
(3) Net loss from principal transactions in commodities in trading accounts.	<u>0</u>
(4) Interest and dividend expense deducted in determining item 2a.	<u>0</u>
(5) Net loss from management of or participation in the underwriting or distribution of securities.	<u>0</u>
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.	<u>0</u>
(7) Net loss from securities in investment accounts.	<u>111,233</u>
Total additions	<u>2,686,614</u>
2c. Deductions:	
(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.	<u>0</u>
(2) Revenues from commodity transactions.	<u>0</u>
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.	<u>158,356</u>
(4) Reimbursements for postage in connection with proxy solicitation.	<u>0</u>
(5) Net gain from securities in investment accounts.	<u>0</u>
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.	<u>0</u>
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).	<u>0</u>
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):	<u>0</u>
<hr/> (Deductions in excess of \$100,000 require documentation)	
(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.	\$ <u>0</u>
(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).	\$ <u>9</u>
Enter the greater of line (i) or (ii)	<u>9</u>
Total deductions	<u>158,365</u>
2d. SIPC Net Operating Revenues	\$ <u>2,528,249</u>
2e. General Assessment @ .0025	\$ <u>6,321</u>
	(to page 1, line 2.A.)

